

Committee on Finance, Revenue, and Bonding

S.B. 29 “AN ACT CONCERNING THE EARNED INCOME TAX CREDIT”

H.B. 5403 “AN ACT CONCERNING ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL INCOME TAX”

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Submitted by

Michael Goldbas

Senator Fonfara, Representative Scanlon, and members of the Committee, thank you for the opportunity to express my support for:

- **SB 29, “An Act Concerning the Earned Income Tax Credit”**; increasing the Connecticut Earned Income Tax Credit (EITC) to 41.5% starting January 1, 2022 and
- **HB 5403, “An Act Establishing a Child Tax Credit Against Personal Income Tax”**; establishing a Child Tax Credit for Connecticut families starting January 1, 2022.

My name is Michael Goldbas and I currently reside in Bloomfield CT. I retired from Deloitte in 2018 as a partner leading a tax consulting service line.

I have been a volunteer for many programs sponsored by United Way of Central and Northeast CT over the last decade; as well as serving two terms on their Board of Directors. My support for this legislation comes, in part, from my experience with United Way’s ALICE Challenge. Before sharing my experience, let me introduce you to ALICE:

ALICE is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. While ALICE is a demographic, it’s critical to remember ALICE is our neighbors, real people needing support from their community. United Way (UW) identified this population through a detailed study supported by more than 40 external experts who considered what it costs to survive in CT; and includes households lacking the resources to pay for household essentials. ALICE cannot afford basic bills because the cost of the basics increased by nearly twice the rate of inflation -- outpacing wages. An ALICE Household Budget in CT for a family of 4 with 2 preschool children is \$90,660 (based on 2018 data).

The size of the ALICE population is staggering – with a disproportionately high percentage of Blacks, Hispanics, and Single-Female-Headed households with children:

- 38% of households in CT
- 57% of black households
- 63% of Hispanic households
- 73% of Single-Female-Headed household with children

ALICE households were struggling to afford the basics before the pandemic hit and put themselves at risk during the height of the pandemic by providing essential services. ALICE are the health care workers who care for our aging parents, teachers’ assistants who help our children adapt to virtual learning, grocery store clerks who keep food on the shelves, and others who struggle financially while

making a tremendous contribution to our communities. ALICE does not generally qualify for government subsidies (because they are not poor enough!). They walk a tightrope between poverty and the middle class and are one unexpected car repair or healthcare expense from falling into poverty.

UW, with the support of its community partners, sponsored numerous volunteer programs designed to help ALICE households cope with their financial struggles. I participated in several programs but was particularly moved by an experience I had with a person I met during the “ALICE Challenge”. Through this program UW brought together ALICE families and community leaders to formulate a plan that UW would fund to address the struggles of ALICE in two communities experiencing significant increases in their ALICE population.

During our first “ALICE Challenge” meeting I was asked to facilitate a breakout group that included an array of community leaders and several ALICE families. This included a single woman who supported her family; along with her mother who cared for her 2 children while she was at work. She was at a juncture in her career with an opportunity to move into management and while deeply appreciative of her mother’s caregiving support, she was concerned about the strain on her health. Her mother lived 45 minutes from her home/work – adding 3 hours of travel-time to her workday. The recent increases in gasoline prices have surely made her child-care commute even more challenging. She worried about the transition into kindergarten for her eldest child – wondering if there were tutoring programs if her children needed help. She emphasized that she needed to take advantage of every opportunity to reduce her living expenses to keep her family safe, healthy, productive, and happy. Even if the UW program we were developing for her community resulted in minimal support, it would be only part of the puzzle she had to put together for survival. She survives by taking advantage of each increment of support she can get. I left the meeting with profound respect for this woman, as well as an appreciation of the importance of programs that reduce the cost of every line-item in the ALICE household budget, including taxes (the 3rd highest line item in the ALICE Report Household Survival Budget).

Shrugging our shoulders and saying this is a problem ALICE families need to figure out on their own is not in the best interests of CT. We need to provide support the ALICE population who played a dominant role in providing essential services during the pandemic. This can be accomplished, in part, by supporting the state tax legislation set forth in SB 29 and HB 5403 that will help our state’s ALICE population:

The Earned Income Tax Credit (EITC) was first enacted on the federal level in 1975 and in CT in 2011. Numerous legislative changes to the Federal EITC over the last 40 years have increased the amount of the credit because numerous studies show that it is one of the best anti-poverty tools we have.¹ The EITC effectively supports low-income working families with children; as well as encouraging economic growth during difficult times, e.g., recession, pandemic, etc. Permanently increasing the CT EITC rate to

¹ Press Release from the Office of Governor Ned Lamont, “Governor Lamont Directs Connecticut’s Earned Income Tax Credit for 2020 To Be Retroactively Enhanced to 41.5% Using Federal Coronavirus Relief Funds” (12/29/2021). <https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2021/12-2021/Governor-Lamont-Directs-EITC-for-2020-To-Be-Retroactively-Enhanced>

41.5% from 30% will provide, on average, \$925 of needed income for over 200,000 struggling CT households.

CT does not have a Child Tax Credit (CTC), but this credit has been available on the federal level since 1997.² The CTC has been increased several times since it was enacted because, like the EITC, there is significant evidence of its effectiveness. The most recent increase in the CTC (2021) lifts 37,600 children in Connecticut out of poverty, 21,000 children out of deep poverty.³

Enacting CT's first CTC is particularly important for two reasons:

- First, the CTC provides tax benefits to the entire ALICE population, but the EITC only applies to families with 2 children making less than \$53,866.⁴ This means that ALICE families in CT with 2 children making between \$53,866 and \$90,660 do not get any relief from the EITC and can only get support from the CTC.
- Second, federal legislation significantly expanding the CTC to address the impact of the pandemic, only applies to 2021 and the likelihood of federal legislation extending the current CTC is highly uncertain. This means that if the 2021 version of the CTC is not extended, we will have cut child poverty in half in 2021 – and then double child poverty in 2022. Consequently, a state CTC is an important backstop if the current federal CTC is not extended.

With all this in mind, I support the SB 29 measure to increase the Connecticut Earned Income Tax Credit to 41.5% of the federal credit, as well as H.B. 5403 establishing CT's first child tax credit.

Thank you for the opportunity to submit testimony in support of these important bills.

Sincerely,

Michael Goldbas

Retired

² The credit has its roots in a [1991 report](https://www.brookings.edu/blog/up-front/2021/01/22/what-is-the-child-tax-credit-and-how-much-of-it-is-refundable/) by a bipartisan National Commission on Children, which declared that “it is a tragic irony that the most prosperous nation on earth is failing so many of its children” <https://www.brookings.edu/blog/up-front/2021/01/22/what-is-the-child-tax-credit-and-how-much-of-it-is-refundable/>.

³ <https://www.murphy.senate.gov/newsroom/press-releases/to-celebrate-the-first-monthly-child-tax-credit-checks-murphy-delauro-blumenthal-local-children-and-family-advocates-call-for-permanency>

⁴ The maximum income thresholds for the EITC depends on your filing status and the number of qualifying children. <https://www.etc.irs.gov/eitc-central/about-eitc/income-limits-and-range-of-eitc/income-limits-and-range-of-eitc>